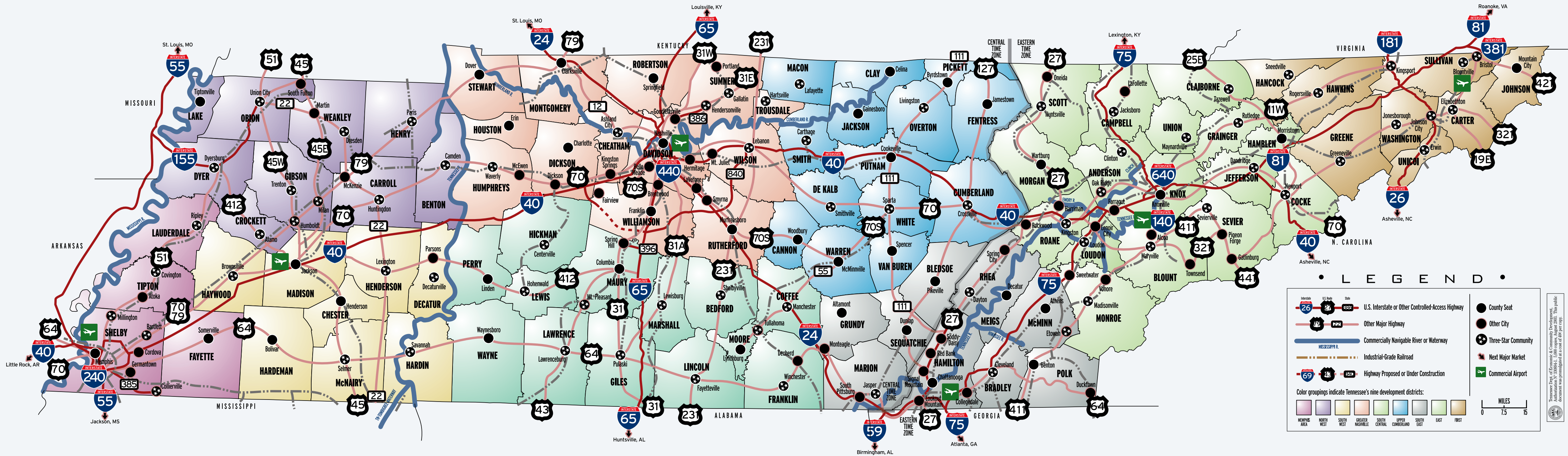


T E N N E S S E E

DEPARTMENT OF ECONOMIC & COMMUNITY DEVELOPMENT



- No other state is more connected than Tennessee, with immediate access to eight interstate highways: Interstates 24, 26, 40, 55, 65, 75 and 81 all pass through Tennessee. Interstate 59 is the southwestern gateway to Chattanooga, stopping just shy of the Tennessee border. Additionally, eight spurs and loops connect major metros.
- Eight states touch Tennessee, more than any other. We're located in the heart of the country, within a day's drive of 76% of major U.S. markets.
- Three major railroad lines provide nationwide access to intermodal transport.

- Memphis, which boasts the world's busiest cargo airport, is a hub for FedEx and Northwest Airlines and is among the nation's top distribution centers. Both Memphis and Nashville offer international air service, and four other cities are home to regional airports.
- A network of navigable rivers, including access to the Gulf of Mexico via the Tennessee-Tombigbee Waterway, facilitates barge transport. Memphis, on the Mississippi River, is the nation's second-largest inland port.

- High technology abounds in Tennessee. In the east, the Oak Ridge National Laboratory (ORNL) and the University of Tennessee anchor the Oak Ridge-Knoxville Technology Corridor. Tullahoma is the site of one of the world's foremost aerospace test flight facilities—Arnold Engineering Development Center. In Nashville, Vanderbilt University is home to major medical research labs, as well as NASA's Space Center for Basic and Applied Research. Memphis sports a thriving biotech and pharmaceutical industry, producing more medical instruments than any other city in America.

- The Tennessee Valley Authority—the largest publicly-owned utility in America—is headquartered in Tennessee, ensuring a ready supply of low-cost energy. Seven interstate natural gas pipelines also traverse the Volunteer State. In addition, Chattanooga is home to a state-of-the-art Energy Research Center that promotes research into efficient new uses of energy resources.
- Tennessee is a right-to-work state, with a union membership far below the national average.

- The Department of Economic & Community Development offers assistance to expanding and relocating companies in recruiting, pre-employment screening and training of job applicants.
- No community in Tennessee is more than 30 miles from a Tennessee Technology Center. This network of 26 vocational schools provides ample training and continuing education opportunities for the state's workforce.
- Tennessee's varied terrain, with mountains in the east sloping to a plateau and rolling hills into the western delta, promotes a diversified economy.

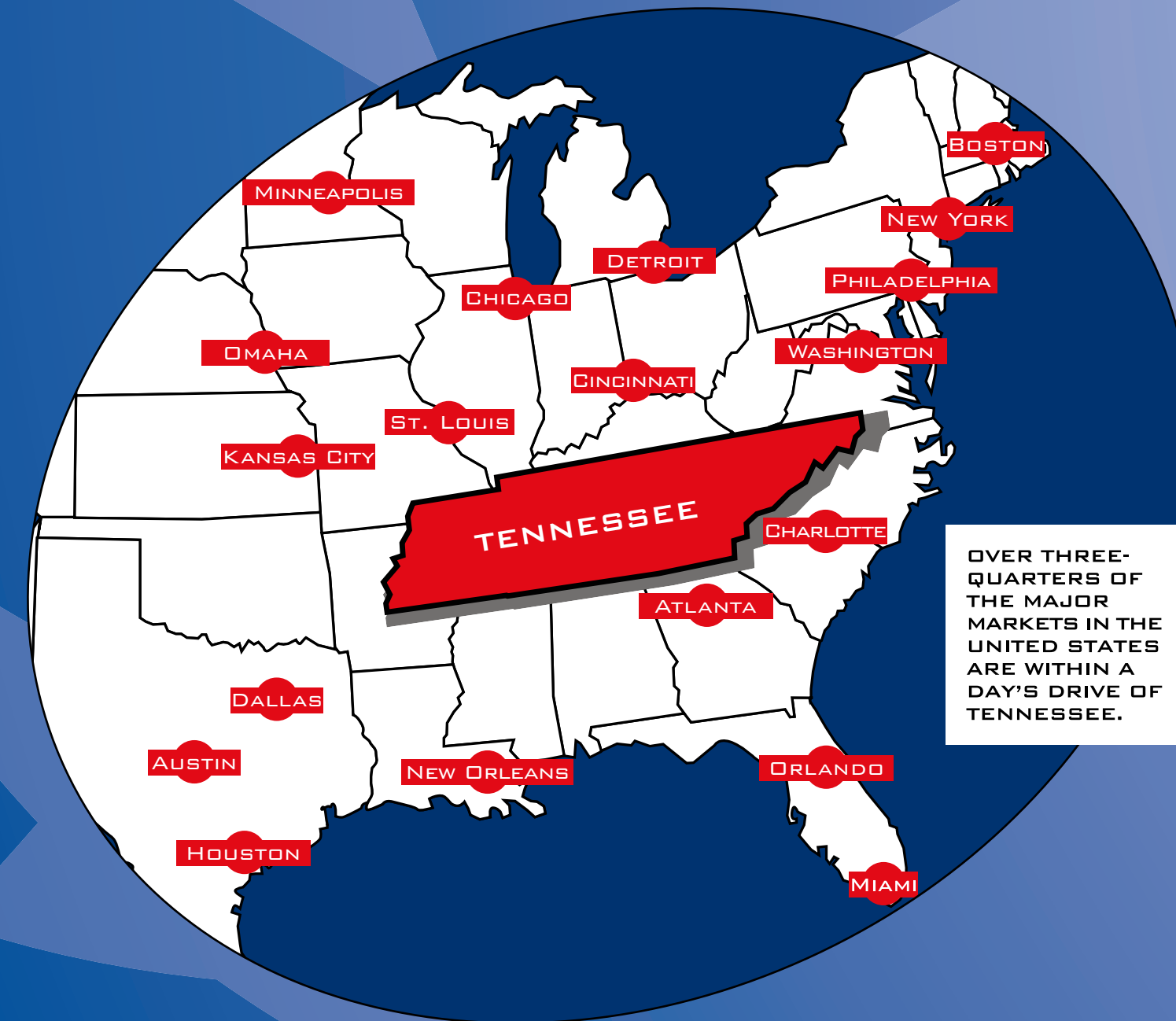
- The very first Competitiveness Award granted by Site Selection magazine in 2003 went to Tennessee. A comprehensive study of all fifty states using numerous criteria judged Tennessee leagues ahead of the competition in providing a competitive advantage to expanding and relocating businesses.



Tomorrow
starts today.

IN BUSINESS, IT PAYS TO BE
RIGHT IN THE MIDDLE OF THINGS.

TAKE A CLOSER LOOK AT
TENNESSEE.



BUSINESS CLIMATE

A Governor Who Gets It: Phil Bredesen

- Harvard-educated physicist with a successful track record as founder and CEO of a NYSE-listed health care company.
- Mayor of Nashville from 1991 to 1999, credited with spearheading a citywide renaissance.
- Economic developer with a proven track record, responsible for bringing such high-profile companies as Sprint PCS, Dell, HCA and Hewlett-Packard to Nashville during his tenure as mayor.
- Committed to maintaining and improving Tennessee's stature as a world-class business location.

A Legislature That Means Business

- Tennessee's General Assembly historically has demonstrated an overriding philosophy that favors business and development.
- A balanced budget is mandated by the state constitution.

Good Companies, Good Company

- Tennessee is headquarters to six Fortune 500 companies.
- Statewide, a spirit of entrepreneurship thrives.
- Diversified economy with emphasis on manufacturing.
- Chambers of commerce and development boards statewide cooperate regularly to provide businesses with the best possible environment for expansion.

We're Here For You

- Tennessee's Department of Economic & Community Development provides research on available buildings, facilities, industrial properties, demographics, community and county data profiles, labor statistics, wage surveys.
- Technical assistance is available in energy, environmental regulations, transportation, licensure, site location and export development.



TENNESSEE TAX-BASED INCENTIVES

Franchise Tax

- Tax on the greater of net worth or book value of property owned or used in Tennessee.
- Tax rate is 25¢ per \$100.
- Finished goods inventory in excess of \$30 million may be excluded.
- Pollution control equipment is exempt.
- Property under construction and not being utilized is not included.
- Property rented from local industrial development boards may be valued by capitalizing it on company books.

Excise Tax

- Tax is based on the net earnings of the company derived from the business in Tennessee.
- Tax rate is 6.5%.
- 1% credit on the purchase price of qualified industrial machinery and unused credit carried forward for 15 years.
- 1% credit on telephone equipment and computer equipment purchased under the required capital investment for jobs tax credit.
- All capital losses are claimed in the year incurred.
- Net operating losses can be carried forward for 15 years.
- Three-factor apportionment formula: property, payroll and sales.
- Additional credits or exclusions may be available.
- Tennessee does not have a throwback provision for sales outside the state.

Sales and Use Tax

- No sales tax on purchases, installation, and repairs of qualified industrial machinery.
- No sales tax on raw materials for processing.
- No sales tax on pollution control equipment for manufacturers.
- Reduced sales tax rates for manufacturers' use of energy fuel and water (1.5% vs. 7%).
- Additional exemptions or credits may be available.

Income Tax

- No state income tax based on wages.

Property Tax

- No state property tax.

Jobs Tax Credit

- \$2,000 per job (\$3,000 per job in special enhanced counties).
- Applied to both Franchise and Excise Tax.
- Must create 25 jobs.
- Must increase capital investment by \$500,000 in a qualified business enterprise.
- May be carried forward for 15 years.
- The percentage of liability offset ranges from 33.33% to 100% for employment ranging from 1,000 to 5,000 or more.

Headquarters Tax Credit

- Reduction of sales tax from 7% to 0.5% on building materials, machinery and equipment used in the construction or remodeling of a qualified headquarters facility.

Day Care Credit

- Applies to both Franchise and Excise Tax.
- Credit up to 25% of the cost of a day care facility not to exceed \$25,000 per facility with a maximum of \$100,000 per year.

How Tennessee Compares

- The Tax Foundation's latest study, "The State Business Tax Climate Index (2003)," ranked all 50 states in terms of how business-friendly their tax systems are. Tennessee ranked in the Top 10 nationwide, and higher than any of the eight states that border it, largely due to the fact that the state has neither a property nor a wage-based income tax.



TENNESSEE
DEPARTMENT OF ECONOMIC
& COMMUNITY DEVELOPMENT



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